

Appendix 6: Funding Sources

Capital Improvement Funding Sources

Funding capital and major maintenance projects is a challenge faced by all governmental entities charged with developing and maintaining facilities and infrastructure. Due to the economic downturn and a related decline in governmental revenues, capital and major maintenance expenditures have been constrained for the past several years. Although funding has been constrained, an existing backlog of projects with previous allocations of funding has allowed capital and maintenance development to continue.

This plan is focused on the financing of capital projects which will be considered for development within the next five years. The funding sources identified are those which are known and have historically been used to develop capital projects. The following sub-sections identify funding the sources used in this plan.

Facilities Project Funding Sources – General Services Agency

There are a variety of funding sources used to pay for the cost of developing County facilities. The Board of Supervisors budget policies emphasizes development of projects which are 100% revenue offset or have their own funding source. County functions which are enterprise funds, such as the County Airports and County Golf Courses, are expected to utilize their own funding for capital and maintenance improvements. By Board policy, Library projects are to be funded with 50% of the cost coming from the community in which the library improvements are proposed.

Public Facility Fees (PFF) provides funding for five areas: General Government, Law Enforcement, Fire Protection, Libraries and Parks. Public Facility Revenues are dependent upon fees charged to new development projects and can only be used to fund new facilities needed to accommodate growth. They cannot be used for operations or maintenance expense. The next 10 or more years of future revenue from Library Public Facility Fees has been committed to finance the Atascadero and Cambria library projects identified in the proposed Five Year CIP. The General Government PFF revenues are committed to pay for a portion of the debt financing for the New Government Center.

Budget adjustments from a fund source for a specific capital project are authorized through Board of Supervisors actions. The balance of Capital Project reserve funds fluctuate with use and replenishment. The amount of funding set aside in capital reserve accounts has been reduced concurrent with other reductions made to balance the County budget. At the beginning of FY 2013-14 the Capital Project reserve fund balance was about \$14.5 million.

The following table identifies funding sources matched to the functional areas for projects. The funding sources in the table are those that are most commonly applied to capital and major maintenance projects for the facilities developed within the functional area.

Functional Area	Funding Source
Airports	Federal Aviation Administration grants and entitlements Passenger Facility Fees Customer Facility Fees Airport Enterprise Revenues
General Government	Capital Project Reserves General Government Building Replacement Reserves General Government Public Facility Fees Depreciation charges General Fund Grant funds when available
Golf Courses	Debt obligations financed with Golf Course Enterprise Funds Golf Course Enterprise revenues Grant funds when available
Health and Social Services	Health operating budget DSS operating budget Capital Project Reserves General Government Building Replacement Reserves Depreciation charges General Fund Grants when available
Library	Library Public Facility Fees Library Reserves Library operating budget 50% funding from the community
Parks	Parks Public Facility Fees Quimby Fees Parks Reserves Parks operating budget Grant funding when available
Public Safety	Law Enforcement Public Facility Fees Fire Protection Public Facility Fees Operating budgets – Sheriff, Fire, Probation District Attorney Capital Project Reserves Asset Forfeiture Funds General Fund Grants when available Funding authorized by SB 900 and SB 8 for local jail and juvenile hall projects (one time)
Public Works (for County facilities)	Capital Project Reserves General Government Building Replacement Reserves General Government Public Facility Fees Depreciation charges General Fund Grant funds when available

Infrastructure Project Funding Sources - Public Works Funding

Public works infrastructure requires a multitude of funding sources to advance projects to final construction. The County seeks out several funding opportunities for project implementation. Nonetheless, there are certain core funding sources from which Public Works will advance projects. These are broken down into particular functional areas per the table below.

Over the past few years, the Department has taken on several large infrastructure projects including the \$80 million Nacimiento Pipeline project, the \$ 48 million Willow Road Interchange project and the \$ 176 million Los Osos Wastewater project. All have had to seek various funding mechanisms to complete and have stretched the infrastructure delivery capacity. As we look ahead toward future public works infrastructure projects, we would expect to see a “normal” Capital Improvement Program delivery develop in the range of \$ 12-14 million annually. Roughly half of that amount geared towards major road maintenance work and bridge replacement projects.

The following table identifies funding sources matched to the functional areas for projects. The funding sources in the table are those that are most commonly applied to capital and major maintenance projects for the facilities developed within the functional area.

Functional Area	Funding Source
Water Systems	Rates and Charges USDA Grants California Department of Public Health Grants Flood Control Zone 3 - Lopez Prop 84 Grants
Wastewater Systems	Rates and Charges Assessment Districts (New system improvements) USDA Grants California Department of Public Health Grants Prop 84 Grants
Flood Control	Flood Control District – General Flood Control District Zones 1/1A , 4, 9, and 16 Assessment Districts (New system improvements) Prop 1E infrastructure bonds Prop 84 Low Impact Development Grants FEMA Hazard Elimination Grants
Transportation	
Road Preservation	Road Fund – General Fund Support for preventative maintenance Transportation Development Act Funds
Road Safety	Federal Highway Safety Improvement Program Grants Safe Route to School Program Grants – Active Transportation Program Regional State Highway Account Fund (SLOCOG) Road Fund

Road Structures	Federal Highway Bridge Program Fish Passage Enhancement Grant Programs Road Fund
Road Capacity	Road Improvement Fees State Transportation Improvement Program (SLOCOG) Regional/Urban State Highway Account Funds (SLOCOG) Federal Congestion Management Air Quality Funds
Betterment	Active Transportation Program (Caltrans – CTC) Regional/Urban State Highway Account Funds (SLOCOG) Federal Congestion Management Air Quality Funds

Board of Supervisors adopted Budget Development Policies for Capital Projects

The Board of Supervisors has adopted specific policies that guide the budgeting for capital projects. The policies are included in the Budget Development Policies, annually reviewed and approved by the Board at the beginning of each annual cycle for the preparation of the County budget. Below is the section of the Budget Development Policies that specifically address capital projects.

Capital Project Policies

Review and evaluate projects based upon their cost, scope, countywide significance, correlation to facility master plans, and relation to communitywide objectives and results.

The following criteria shall be used in evaluating projects:

1. Ability to address a critical need or threats to health and safety
2. Connection to mandates or legal requirements
3. Existence of non-General Fund funding source(s)
4. Impact on General Fund or other budgetary impacts to existing services due to costs for staffing, operations and maintenance
5. Ability to address essential maintenance or repair needs to existing assets
6. Impact to service levels
7. Potential to save water/energy
8. Level of consistency with County plans, goals and priorities

Proposed projects shall include the project's anticipated impact on current and future operating costs. Projects will be recommended for approval that are 100% revenue offset or have their own funding source (such as golf courses and Lake Lopez), which meet one or more of the above criteria and would be reasonable in terms of scope or cost.

Projects should utilize energy and resource efficiencies such as "green building" (LEED) and Low Impact Development (LID) techniques and strategies to reduce ongoing utility and maintenance costs.

Library Projects: Consider funding new library buildings or major improvements to existing libraries only

if at least 50% of the cost of the project is provided by the community in which the facility is located. The funding required from the community may be comprised from a variety of sources, including grants, school districts, special districts, cities, community group funding, private donations, or fees generated for specific use in libraries. The County's portion of this funding formula will be financed from the Library budget (Fund 1205), grants, gifts, the General Fund or fee revenues generated for specific use in libraries.

Maintenance Costs: Consider cost of ongoing maintenance before recommending capital projects, acquisition of additional parklands or beach access way projects.

Master Plans: Consider approving projects included in master plans if they have their own funding sources or if they are requested from other sources which identify an operational need for the facility.

Grant Funded Capital Projects: For grant funded projects, when a County match is required, budget only the County share if receipt of grant money is not expected in the budget year. If there is a reasonable expectation that the grant revenue can be received during the budget year, budget the entire project amount including revenues.

Encumbrances: The Auditor-Controller is authorized to encumber capital project money appropriated for a specific capital project at the end of each fiscal year, if work has been undertaken on that project during the fiscal year. Evidence that work has been undertaken would be in the form of an awarded contract or other item upon which the Board of Supervisors has taken formal action.

Phasing of Large Projects: For capital projects which will be undertaken over several fiscal years, develop full project scope and costs in the initial year.